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Third Party Communication: None
Date of Communication: Not Applicable

Telephone Number:

Date:
February 26, 2015

Church A	=
Congregation B	=
Hospital C	=
Hospital D	=
Corporation H	=
Affiliate F-1	=
Affiliate F-2	=
Affiliate F-3	=
Affiliate F-4	=
Affiliate F-5	=
Affiliate F-6	=
Affiliate F-7	=
Affiliate F-8	=
Affiliate F-9	=

Affiliate F-10 =

Directory M =

State G =

City L =

Plan X =

Plan Y =

Date 1 =

Date 2 =

Date 3 =

Dear :

This is in response to correspondence dated June 6, 2008, as supplemented by correspondence dated November 22, 2011, March 1, 2012, May 29, 2012, June 19, 2012, November 20, 2012, December 11, 2012, May 17, 2013, June 18, 2013, August 29, 2013, May 30, 2014 and August 27, 2014, submitted on behalf of Corporation H by its authorized representative, that Plan X and Plan Y are church plans under section 414(e) of the Internal Revenue Code (Code).

The following facts and representations have been submitted under penalty of perjury in support of the rulings requested:

Hospital C, a State G not-for-profit corporation described in section 501(c)(3) of the Code and exempt from tax under section 501(a) of the Code, is an acute care hospital located in City L. Hospital C's sole member and sponsor is Congregation B, an organization established under the auspices of Church A and dedicated to furthering the teachings, tenets, and core values of Church A. In furtherance of its religious mission to minister to the sick, Congregation B and Hospital C adhere to the principles

promulgated by the leaders of Church A in the United States for church-affiliated health care organizations.

Hospital D also is an acute care hospital located in City L. Hospital D is a State G not-for-profit corporation described in section 501(c)(3) of the Code and exempt from tax under section 501(a) of the Code. As described below, prior to Date 3, Hospital D was not affiliated with Church A.

Corporation H is represented to be an affiliated service group that sponsors benefit plans for Hospital C and Hospital D, as well as a number of its other affiliated entities, Affiliates F-3, F-4, F-5, F-6, F-7, F-8, F-9, and F-10. Corporation H, is also a State G not-for-profit corporation described in section 501(c)(3) of the Code and exempt from tax under section 501(a) of the Code.

On Date 1, Hospital C and its affiliate, Affiliate F-1 signed a letter of intent with Hospital D and its affiliate, Affiliate F-2 to enter into a Joint Operating Agreement (JOA) and to create Corporation H for the purpose of implementing that agreement. Corporation H commenced business under the JOA on Date 2. Affiliate F-1 and Affiliate F-2 were the initial members of Corporation H. The JOA provided that on Date 3, Affiliate F-1 and Affiliate F-2 would be dissolved and Congregation B would become the sole member of Corporation H.

On Date 3, in accordance with the JOA and the Articles of Incorporation of Corporation H (Articles) and Bylaws of Corporation H (Bylaws), Affiliate F-1 and Affiliate F-2 were dissolved and Congregation B became the sole member of Corporation H. The JOA and the Articles and Bylaws of Corporation H provide that Corporation H is the sole member of its not-for-profit affiliates including Hospital C and Hospital D and the sole shareholder of Corporation H's for-profit affiliates. Corporation H has the power to approve the Boards of Trustees of its affiliates, including Hospital C and Hospital D, subject to certain reserved powers held by Congregation B. The present not-for-profit affiliates of Corporation H are Hospital C, Hospital D, Affiliate F-3, Affiliate F-4, Affiliate F-5, and Affiliate F-6. The present for-profit affiliate of Corporation H is Affiliate F-7. Affiliate F-7 in turn, is the sole shareholder in Affiliate F-9, Affiliate F-8, and Affiliate F-10.

The JOA and the Articles and Bylaws provide that Corporation H's Board of Trustees (Board) is comprised of nineteen trustees, including two non-voting ex officio trustees and one voting ex officio trustee. The Board is self-perpetuating in that the Board votes to choose successors to the Board rather than having Congregation B, as the member, choose the trustees; however, three of the seventeen voting trustees are directly appointed by Congregation B and may be removed and replaced at any time by Congregation B. After 2010, the three trustees directly appointed by Congregation B need not be from Congregation B, but must be religious adherents of Church A.

The JOA and the Articles and Bylaws provide that the Board may take certain actions only with prior consent of Congregation B. These actions include, among others:

1. Any adoption, amendment or change in the philosophy, purposes, mission, value statement or name of Corporation H;
2. Amendment or restatement of the Articles and Bylaws of Corporation H or its affiliates (including Hospital C and Hospital D) which diminish or alter the Reserved Powers of Congregation B;
3. Appointment of a new Corporation H CEO;
4. Dissolution, merger, or sale of all or substantially all of the assets of Corporation H;
5. Addition of new services or deletion of existing services at any Corporation H facility that is inconsistent with the Ethical and Religious Directives for Church A Health Care Services promulgated by the leaders of Church A in the United States with regard to health care facilities affiliated or associated with Church A; and,
6. Certain sales and other dispositions of Corporation H real property.

The JOA originally established the ongoing requirement that Corporation H or any successors must maintain the Church A identity of Hospital C and must implement a process to permit Congregation B to review the budgets and strategic plans of Corporation H and its affiliates, and to meet at established intervals with the Corporation H Board and management to discuss the manner and extent to which the "Church A identity and presence" is being implemented.

Hospital C is mandated to adopt and adhere to the teachings, tenets, and core values promulgated by the leaders of Church A for health care facilities affiliated and associated with Church A and to provide appropriate instruction regarding them for administration, medical, nursing staff, and other personnel.

Hospital D's activities are heavily influenced by the core values promulgated by the leaders of Church A for health care facilities affiliated and associated with Church A. Hospital D provides instruction regarding these core values for administration, medical and nursing staff, and other personnel, and requires adherence to all provisions applicable to those providers.

Congregation B and Hospital C are each listed in Directory M, the directory of Church A organizations. Corporation H is heavily influenced by and adheres to the core values promulgated by the leaders of Church A for health care facilities affiliated and associated with Church A. As a result, Church A's ethical and religious focus is included in Corporation H's health care mission. Further, the core values require that any partnership affecting the mission or religious and ethical identity of Church A in providing health care institutional services must respect Church A's teaching and discipline.

During the term of the JOA, the various employee benefit plans sponsored by Hospital D and Hospital C were frozen, terminated, or merged together to create the current benefit plan structure, which, includes Plan X and Plan Y in addition to a merged plan that is not included in this ruling request. Corporation H is the sponsor of Plan X and Plan Y.

On Date 3, as a result of the relationship between Corporation H and its affiliated entities, employees employed by any of the affiliated entities became employees of Corporation H, as controlled by Congregation B.

Plan X, a 401(k) plan, was established by Corporation H on January 1, 2004, for the benefit of employees of Corporation H. Plan Y, a 403(b) plan, was established on July 1, 1998, by Affiliate F-1, solely for the benefit of employees of Affiliate F-1. After Affiliate F-1 and Affiliate F-2 were dissolved on Date 3, Plan Y was maintained by Corporation H for the benefit of employees of Corporation H. No employees of Affiliate F-2 participated in Plan Y prior to Date 3.

Plan X and Plan Y are administered by the Retirement Plans Committee (Committee). The Committee consists of one employee of Corporation H and two members of Congregation B. All members of the Committee are subject to approval by, and serve at the pleasure of Congregation B. The principal responsibility of the Committee is to administer the retirement plans of Corporation H for the exclusive benefit of its participants and their beneficiaries.

In accordance with Revenue Procedure 2011-44, Notice to Employees with reference to Plans X and Y was provided on November 22, 2011. This notice adequately explained to participants of Plans X and Y the consequences of church plan status.

Based on the above facts and representations, you request a ruling that Plan X and Plan Y are church plans under section 414(e) of the Code.

Section 414(e)(1) of the Code generally defines a church plan as a plan established and maintained for its employees (or their beneficiaries) by a church or a convention or association of churches which is exempt from taxation under section 501 of the Code.

Section 414(e)(2) of the Code provides, in part, that the term "church plan" does not include a plan that is established and maintained primarily for the benefit of employees (or their beneficiaries) of such church or convention or association of churches who are employed in connection with one or more unrelated trades or businesses (within the meaning of section 513 of the Code); or if less than substantially all of the individuals included in the plan are individuals described in section 414(e)(1) of the Code or section 414(e)(3)(B) of the Code (or their beneficiaries).

Section 414(e)(3)(A) of the Code provides that a plan established and maintained for its employees (or their beneficiaries) by a church or a convention or association of churches includes a plan maintained by an organization, whether a civil law corporation or otherwise, the principal purpose or function of which is the administration or funding of a plan or program for the provision of retirement benefits or welfare benefits, or both, for the employees of a church or a convention or association churches, if such organization is controlled by or associated with a church or a convention or association of churches.

Section 414(e)(3)(B) of the Code generally defines "employee" of a church or a convention or association of churches to include a duly ordained, commissioned, or licensed minister of a church in the exercise of his or her ministry, regardless of the source of his or her compensation, and an employee of an organization, whether a civil law corporation or otherwise, which is exempt from tax under section 501 of the Code, and which is controlled by or associated with a church or a convention or association of churches.

Section 414(e)(3)(C) of the Code provides that a church or a convention or association of churches which is exempt from tax under section 501 of the Code shall be deemed the employer of any individual included as an employee under subparagraph (B).

Section 414(e)(3)(D) of the Code provides that an organization, whether a civil law corporation or otherwise, is associated with a church or a convention or association of churches if it shares common religious bonds and convictions with that church or convention or association of churches.

Section 1.414(e)-1(b)(1)(A)(i) of the Income Tax Regulations provides that a plan shall be considered established primarily for the benefit of employees (or their beneficiaries) of a church who are not employed in connection with one or more unrelated trades or businesses if on the date the plan is established the number of employees employed in connection with the unrelated trades or businesses eligible to participate in the plan is less than 50% of the total number of employees of the church eligible to participate in the plan.

Revenue Procedure 2011-44, 2011-39 I.R.B. 446, supplements the procedures for requesting a letter ruling under section 414(e) of the Code relating to church plans. The revenue procedure: (1) requires that plan participants and other interested persons receive a notice in connection with a letter ruling request under section 414(e) of the Code for a qualified plan; (2) requires that a copy of the notice be submitted to the Internal Revenue Service (IRS) as part of the ruling request; and (3) provides procedures for the IRS to receive and consider comments relating to the ruling request from interested persons.

In order for an organization that is not itself a church or a convention or association of churches to have a qualified church plan, it must establish that its employees are employees or deemed employees of a church or convention or association of churches under section 414(e)(3)(B) of the Code by virtue of the organization's control by or association with a church or convention or association of churches. Employees of any organization maintaining a plan are considered to be church employees if the organization: (1) is exempt from tax under section 501 of the Code; and (2) is controlled by or associated with a church or convention or association of churches. In addition, in order to be a church plan, the administration or funding (or both) of the plan must be by an organization described in section 414(e)(3)(A) of the Code. To be described in section 414(e)(3)(A) of the Code, an organization must have as its principal purpose the administration or funding of the plan and must also be controlled by or associated with a church or convention or association of churches.

In this case, Corporation H, a State G not-for-profit corporation, is an organization described in section 501(c)(3) of the Code that is tax exempt under section 501(a) of the Code. Congregation B is listed in Directory M and is the sole member of Corporation H. Congregation B appoints three of the seventeen members of Corporation H's Board of Trustees and these three members must be religious adherents of Church A. Corporation H's Board of Trustees must receive prior consent from Congregation B for any adoption, amendment or change in the philosophy, purposes, mission, value statement or name of Corporation H; any amendment or restatement of the Articles and Bylaws of Corporation H which diminish or alter the reserved power of Congregation B; and, addition of new services or deletion of existing services at any Corporation H facility that is inconsistent with the Ethical and Religious Directives for Church A Health Care Services promulgated by the leaders of Church A in the United States with regard to health care facilities affiliated or associated with Church A.

In addition, Corporation H adheres to the core values promulgated by the leaders of Church A for health care facilities affiliated and associated with Church A. As a result, Church A's ethical and religious focus is included in Corporation H's health care mission. The core values also require that any partnership affecting the mission or religious and ethical identity of Church A in providing health care institutional services must respect Church A's teaching and discipline.

In light of Congregation B's degree of control over Corporation H, and the common bonds and convictions between Congregation B, Church A and Corporation H, we conclude that Corporation H is controlled by or associated with a church or a convention or association of churches within the meaning of section 414(e)(3)(D) of the Code. In addition, because the employees previously employed by Affiliate F-1 and Affiliate F-2 became employees of Corporation H prior to the effective date of Plan X, and the employees of Affiliate F-2 became employees of Corporation H before becoming eligible to participate in Plan Y, the employees of Corporation H who are eligible to participate in Plan X and Plan Y meet the definition of employee under section 414(e)(3)(B) of the

Code, and they are deemed to be employees of a church or a convention or association of churches by virtue of being employees of an organization which is exempt from tax under section 501 of the Code and which is controlled by or associated with a church or a convention or association of churches.

Plan X and Plan Y are administered by the Retirement Plans Committee. The Committee consists of one employee of Corporation H and two members of Congregation B. All members of the Committee are subject to approval by, and serve at the pleasure of Congregation B. The principal responsibility of the Committee is to administer the plans of Corporation H for the exclusive benefit of the Plans' participants and their beneficiaries. In light of the control of the Committee by Congregation B, and the association between Congregation B and Church A, we conclude that the Committee is an organization described in section 414(e)(3)(A) of the Code.

Based on the foregoing facts and representations, we conclude that Plan X and Plan Y are church plans within the meaning of section 414(e) of the Code.

This letter expresses no opinion as to whether Plan X satisfies the requirements of section 401(a) of the Code, whether Plan Y satisfies the requirements of section 403(b) of the Code, or whether Corporation H is an affiliated service group within the meaning of section 414(m) of the Code.

No opinion is expressed as to the tax treatment of the transaction described herein under the provisions of any other section of either the Code or regulations which may be applicable thereto.

This letter is directed only to the taxpayer who requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

Pursuant to a power of attorney on file with this office, a copy of this letter ruling is being sent to your authorized representative.

Sincerely,

Laura B. Warshawsky
Senior Tax Law Specialist
Qualified Plans Branch 2
Office of Associate Chief Counsel
(Tax Exempt & Government Entities)